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No. 10-1119

Supreme Court, U.S.
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In The
Supreme Court of the United States

THOMAS STEINBECK and BLAKE SMYLE,

Petitioners,

v.

MCINTOSH & OTIS, INC., *et al.*,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Second Circuit

BRIEF *AMICUS CURIAE* OF PENGUIN GROUP (USA) INC. IN SUPPORT OF RESPONDENTS

RICHARD DANNAY
Counsel of Record
THOMAS KJELLBERG
COWAN, LIEBOWITZ & LATMAN, P.C.
1133 Avenue of the Americas
New York, New York 10036-6799
(212) 790-9200
rxd@cll.com

Counsel for Amicus Curiae Penguin Group (USA) Inc.

COCKLE LAW BRIEF PRINTING CO. (800) 225-6964
OR CALL COLLECT (402) 342-2831

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INTEREST OF *AMICUS CURIAE*

Amicus Penguin Group (USA) Inc. ("Penguin") is a "virtual respondent" in this action.[1] Penguin was the plaintiff in *Penguin Group (USA), Inc. v. Steinbeck*, No. 04-CV-6795, in which Penguin sought a declaration that a termination notice served upon Penguin by Petitioners Thomas Steinbeck and Blake Smyle, purporting to terminate grants of publishing rights that John Steinbeck made to Penguin's predecessor "before January 1, 1978," was invalid. On August 13, 2008 the United States Court of Appeals for the Second Circuit, reversing the district court, held that "the 2004 notice of termination is ineffective" for the reasons Penguin urged in the district court and on appeal. Petitioners filed a petition for a writ of certiorari in February 2009 (Docket No. 08-1039), asserting each of the arguments made in the present petition. This Court denied that initial petition in May 2009. The district court entered judgment for Penguin, and Civil Action No. 04-CV-6795 was closed.

There has been no intervening circumstance bearing on, and no further submission by any party or consideration by any court regarding, the validity

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[1] No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. The parties have filed blanket consents for all *amicus* briefs. Counsel of record for all parties received notice at least 10 days prior to the due date of the *amicus curiae*'s intention to file this brief.

of the 2004 termination notice. Nevertheless, Petitioners now request this Court effectively to re-open and reverse the judgment regarding statutory termination entered two years ago in Civil Action No. 04-CV-6795, and revert to Petitioners the rights that were secured to Penguin in Civil Action No. 04-CV-6795. Penguin's interest, therefore, is in protecting the judgment in its favor entered in that separate action.

SUMMARY OF ARGUMENT

Petitioners seek review for a second time, on identical grounds, of the Second Circuit's decision in *Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008), *cert. denied*, 129 S. Ct. 2383 (2009). Petitioners' application is in effect an out-of-time petition for rehearing regarding the 2009 denial of certiorari. Petitioners present no intervening circumstances of a substantial or controlling effect, and no grounds not previously presented; they simply rehash the identical arguments raised and argued in their previous petition, asserting a nonexistent circuit split based on the Ninth Circuit's *Mewborn* decision.

The application relies on omission and mischaracterization, asserting, *inter alia*, that the very judgment Petitioners seek again to invalidate – the concededly "final judgment in favor of Penguin" entered by the district court pursuant to the mandate of the Second Circuit – is "not part of this case," though it plainly would be impaired if Petitioners

were granted the relief they request. The Petition relies on the artificial characterization of the previous appeal on the termination issue as interlocutory, notwithstanding the intrinsically "final judgment" in the Penguin Action and the district court's certification of its judgment on the termination issue in this action as final under Fed. R. Civ. P. 54(b). Rule 54(b) is entirely absent from the Petition, even though Petitioners joined in moving the district court for certification.

The "circuit split" that Petitioners again would conjure up remains fictional. The Ninth and Second Circuits are aligned in holding that a post-1978 contractual rescission of a pre-1978 copyright transfer, and re-grant of rights for consideration reflecting the present value of the works, is valid; is contemplated by the legislative history; achieves the exact policy objectives for which the termination statute was enacted; and is not an "agreement to the contrary" under 17 U.S.C. § 304(c)(5). That consistent rule is unaffected, and no conflict is generated, by *dicta* in the Ninth Circuit's *Mewborn* decision noting an heir's "inability" to exercise termination rights at the time she entered into a post-1978 agreement.

The result Petitioners seek would effectively undo the termination statute's exemption of grants by will, and nullify John Steinbeck's express testamentary intent, in derogation of the incentive to creation that is the means by which copyright "promotes the progress of science" under the Constitution. Petitioners, moreover, seek a result that is contrary to the

extensive legislative history of the termination provisions, on which the Ninth and Second Circuits relied.

ARGUMENT

1. Background

In June 2004 Petitioners served on Penguin and on the Estate of Elaine Steinbeck a termination notice (the "Penguin Termination Notice") that purported to terminate, pursuant to 17 U.S.C. § 304(d), grants of publishing rights in ten literary works that John Steinbeck made to Penguin's predecessor "before January 1, 1978." App. 156a-159a.

Petitioners then filed the present action (Civil Action 04-CV-5497 in the district court) in July 2004, alleging that the Estate of Elaine Steinbeck and others (the "Estate Defendants") had engaged in tortious conduct that impeded Petitioners' efforts to exploit their interests in Steinbeck's works.

In August 2004 Penguin filed Civil Action No. 04-CV-6795 (the "Penguin Action"), seeking a declaration that the Penguin Termination Notice was invalid and ineffective because no grants "executed before January 1, 1978" existed to be terminated.

In September 2004 the Estate Defendants asserted a counterclaim in this action, seeking relief identical to that sought by Penguin in the Penguin Action: a declaration that the Penguin Termination Notice was invalid because "[t]here are no pre-1978

agreements with Viking [Penguin's predecessor] for publishing in existence that can be terminated under the provisions of the 1976 Copyright Act." App. 111a-112a, 116a, 121a.

The district court joined the Penguin Action with this action solely for the purpose of resolving the parties' motions and cross-motions for summary judgment regarding the validity of the Penguin Termination Notice. App. 76a-77a. In June 2006, the district court granted Petitioners' summary judgment motion, holding the Penguin Termination Notice to be valid as a matter of law. In the Penguin Action, the district court's decision was a final order that disposed of all claims, immediately appealable pursuant to 28 U.S.C. § 1291. Because additional claims remained in this action, the Estate moved the district court to certify its order regarding the Penguin Termination Notice as a final judgment, immediately appealable, pursuant to Fed. R. Civ. P. 54(b), and in the alternative to certify the order for interlocutory appeal pursuant to 28 U.S.C. § 1292(b).

Petitioners opposed the Estate's motion insofar as it sought certification of the district court's ruling as an appealable interlocutory order, stating that "they [did] not believe this Court's ruling satisfies the requirements for an interlocutory appeal" pursuant to 28 U.S.C. § 1292(b). No. 04-CV-5497, Response to Motion for Certification (Docket No. 72). Petitioners, however, supported the Estate's motion for certification of the order as final pursuant to Rule 54(b), stating that they

> believe it makes more sense to have all parties' arguments concerning the Penguin Notice heard by one appellate panel rather than two, and thus believe the Estate Defendants should be able to immediately appeal that aspect of this Court's ruling, so that its appeal can be consolidated with Penguin's and both appeals can be argued to a single panel.

Ibid. Petitioners agreed with the Estate on the language of the order submitted to the district court and entered on August 4, 2006:

> In its June 9, 2006 Order, this Court conclusively decided the motions and cross-motions for summary judgment submitted by all parties on the issue of the Penguin Termination Notice ... As the Penguin Termination Notice was the only claim at issue in Civil Action No. 04-CV-6795 and Penguin has now filed a notice of appeal of this claim with the Second Circuit, this Court finds that there is no just reason to delay entry of judgment so as to enable all parties to appeal the validity of the Penguin Termination Notice and have the appeal heard only once by a single panel.
>
> Moreover, the Court finds that the validity of the Penguin Termination Notice as resolved by the June 9, 2006 Order is distinct, separate and independent from the remaining claims and counterclaims in Civil Action No. 04-CV-5497 such that judicial administrative interests would best be served by an immediate appeal.

No. 04-CV-5795, Order Certifying Under FRCP 54(b) the 6/9/06 Order for Appeal (Docket No. 75).

Accordingly, the appeals in the two actions regarding the validity of the Penguin Termination Notice were consolidated (Nos. 06-3226-cv(L), 06-3696-cv(CON)) and heard by a single panel of the Second Circuit. On July 11, 2008, subsequent to oral argument, Petitioners submitted to the Second Circuit a "Rule 28(j) Supplemental Authority Letter" arguing that the Ninth Circuit's decision in *Classic Media, Inc. v. Mewborn* "supports affirmance here."

The Second Circuit reversed the district court's decision that the Penguin Termination Notice was valid in a unanimous opinion that took note, *inter alia*, of its consistency with Ninth Circuit law, including *Mewborn*. App. 33a-34a. Petitioners' requests for rehearing and for rehearing *en banc* were denied.

Petitioners filed a petition for a writ of certiorari in February 2009, asserting the *Mewborn* decision to be the basis for an "intractable conflict" between the Ninth and Second Circuits. That petition was denied on May 18, 2009.

In April 2009 the district court entered an Order in the Penguin Action:

> ... In accordance with the mandate of the Second Circuit, the Court declares that the [Penguin Termination Notice] is not enforceable, and Penguin's rights in the works did not terminate thereunder.

No. 04-CV-6795 (Docket No. 39). In December 2009 the district court entered an order in the present action that judgment be entered for the Estate Defendants "on Counterclaim Two (Validity of Termination Notices) for the reasons stated in the Second Circuit's decision in *Penguin Group (USA), Inc. v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008)." No. 04-CV-5497 (Docket Nos. 140, 141). The district court also entered final judgment granting M&O's cross-motion for judgment on the pleadings that Thomas Steinbeck's purported partial termination of M&O as agent (with respect to rights other than publishing rights in the works of John Steinbeck), was ineffective, noting that

> M&O's second counterclaim, addressing the purported termination as to literary works, is moot because Thomas Steinbeck cannot terminate M&O as to rights he does not currently possess.

No. 04-CV-5497 (Docket No. 129).

Petitioners appealed the district court's award of summary judgment for the Estate Defendants and M&O on Petitioners' state law claims, as well as the grant of judgment on the pleadings in favor of M&O. The validity of the Penguin Termination Notice was not before the Court of Appeals; it was not addressed by the parties in their briefs, or in the Second Circuit's unpublished opinion affirming the grant of judgment for the Estate Defendants and M&O. App. 1a-14a.

2. Contrary to Petitioners' Contention, Granting the Relief They Request Would Impair the "Judgment in Favor of Penguin" They Concede is "Final" and "Not a Part of This Case"

Petitioners acknowledge that "Penguin's case against petitioners is now final," Pet. 11-12, and state that the "judgment in favor of Penguin is not a part of this case," Pet. 33 n.7, even as they seek the opportunity to undo that very judgment and case. Those statements are incongruous and indeed misleading. Petitioners again seek review – and reversal – of the identical judgment of the Second Circuit, regarding the identical Penguin Termination Notice (one document addressed jointly to Penguin and the Estate, App. 156a-158a), the identical publishing agreements for the same works by John Steinbeck, and the same rights under those agreements, that were at issue in "Penguin's case" and were the subject of the "judgment in favor of Penguin." Petitioners seek ultimately to be permitted to terminate those same agreements, and have the copyright rights assigned under those agreements revert to them. Petitioners do not attempt to explain how they could do so without nullifying the "final judgment in favor of Penguin," and Penguin's rights under the same agreement(s) for the same works. Of course, no explanation is possible to achieve this contradictory result.[2]

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[2] The Copyright Act provides no remedy in the nature of "equitable substitution" of contract parties – with Petitioners

(Continued on following page)

3. The Petition is Premised on a False Characterization of the Prior Appeal in this Action as Interlocutory

Petitioners do not in fact seek review of "the judgment of the United States Court of Appeals for the Second Circuit ... entered ... on October 13, 2010." Pet. 1-2. Instead they seek, for a second time, review of the Second Circuit judgment entered on August 13, 2008. The premise for their doing so is that the consolidated appeal "on the issue of the Penguin Termination Notice" was an interlocutory appeal, and the Second Circuit's August 13, 2008 judgment an "interlocutory order." That premise is false.

Tellingly, the Petition omits any reference to the district court's certification of its order regarding the Penguin Termination Notice as a final judgment, immediately appealable, pursuant to Rule 54(b) – which Petitioners supported, stating that

> it makes more sense to have all parties' arguments concerning the Penguin Notice heard by one appellate panel rather than two, and ... the Estate Defendants should be able to immediately appeal that aspect of this Court's ruling, so that its appeal can be consolidated with Penguin's and both appeals can be argued to a single panel.

No. 04-CV-5497 (Docket No. 72).

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replacing the Estate as parties to the 1994 Agreement – when the conditions for statutory termination are not met.

Federal Rule of Civil Procedure 54(b) provides:

> When an action presents more than one claim for relief – whether as a claim, counterclaim, crossclaim, or third-party claim – or when multiple parties are involved, the court may direct entry of a final judgment as to one or more, but fewer than all, claims or parties only if the court expressly determines that there is no just reason for delay.

Fed. R. Civ. P. 54(b). The Rule 54(b) certification in this case "converted a nonappealable interlocutory order into an appealable final judgment" under 28 U.S.C. § 1291. *Joyner v. Dumpson*, 712 F.2d 770, 772 (2d Cir. 1983). "[A] Rule 54(b) severance is consistent with the final judgment rule because the judgment being severed is a final one, whose appeal is authorized by 28 U.S.C. § 1291." *James v. Price Stern Sloan*, 283 F.3d 1064, 1068 (9th Cir. 2002).[3]

Rule 54(b) "does not relax the finality required of each decision," *Sears Roebuck & Co. v. Mackey*, 351 U.S. 427, 435 (1956). Instead, it "scrupulously recognizes the statutory requirement of a 'final decision' under § 1291 as a basic requirement for an appeal to

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[3] Section 1291 provides that

> The courts of appeals (other than the United States Court of Appeals for the Federal Circuit) shall have jurisdiction of appeals from all final decisions of the district courts of the United States ... , except where a direct review may be had in the Supreme Court.

28 U.S.C. § 1291.

the Court of Appeals." *Id.* at 438. Thus, "[t]he [earlier] appeal ... here [was] not interlocutory in nature even though there ha[d] been no final judgment with respect to all of [Petitioners'] claims." *New York State Urban Dev. Corp. v. VSL Corp.*, 738 F.2d 61, 64 (2d Cir. 1984).

Rule 54(b) authorizes "an ultimate disposition of an individual claim entered in the course of a multiple claims action" in the "interest of sound judicial administration." *Sears*, 351 U.S. at 436-37. The judgment "must be 'final' in the sense that it is 'an ultimate disposition of an individual claim entered in the course of a multiple claims action.'" *Curtiss-Wright Corp. v. General Electric Co.*, 446 U.S. 1, 7 (1980) (quoting *Sears*, 351 U.S. at 436).

"Only a *fully adjudicated whole claim* against a party may be certified under Rule 54(b)." *Sidag Aktiengesellschaft v. Smoked Foods Products Co.*, 813 F.2d 81, 84 (5th Cir. 1987) (emphasis in original) (citing *Liberty Mutual Ins. Co. v. Wetzel*, 424 U.S. 737 (1976)). The Court of Appeals, reviewing the judgment, "should avoid the possibility that the ultimate dispositions of the claims remaining in the district court could either moot our decision on the appealed claim or require us to decide issues twice." *Ginett v. Computer Task Group, Inc.*, 962 F.2d 1085, 1095 (2d Cir. 1992). In addition, the appellate court "must take into account judicial administrative interests ... the equities involved [and] the historic federal policy against piecemeal appeals." *Curtiss-Wright*, 446 U.S. at 8.

The requirement that the judgment be "final in fact" is a statutory mandate and not a matter of discretion. *Seatrain Shipbuilding Corp. v. Shell Oil Co.*, 444 U.S. 572, 584 (1980) ("the District Court could not by purporting to comply with Rule 54(b) render final for purposes of 28 U.S.C. § 1291 a decision that was in fact not final."). Thus, the "District Court *cannot*, in the exercise of its discretion, treat as 'final' that which is not 'final' within the meaning of § 1291." *Sears*, 351 U.S. at 437 (emphasis in original).

Where, as here, there has been "a partial adjudication entered as final under Rule 54(b), the district court has issued a decision which is effectively severed from the balance of the case...." *TechnoSteel, LLC v. Beers Constr. Co.*, 271 F.3d 151, 159-60 (4th Cir. 2001); *W.L. Gore & Assocs., Inc. v. International Medical Prosthetics Research Assocs.*, 975 F.2d 858, 861 (Fed. Cir. 1992) (Rule 54(b) allows "a district court to sever an individual claim that has been finally resolved."); *Dole v. Phoenix Roofing, Inc.*, 922 F.2d 1202, 1207 (5th Cir. 1991) ("in order to sever a claim, a judge must enter an order of final judgment under Rule 54(b)"); *Bay Inst. of San Francisco v. United States*, 66 Fed. Appx. 734, 735 (9th Cir. 2003) ("The district court severed the accounting issues from the rest of the case and issued a final partial judgment on the accounting issues pursuant to Rule 54(b).").

Thus, Petitioners' contention that "this Court long has followed a practice of granting certiorari in cases in which it previously has denied interlocutory review on the question presented," Pet. 31, is inapposite.

None of the cases Petitioners cite, Pet. 30-31, involved an appeal from a judgment certified as final pursuant to Rule 54(b). There is no authority for the proposition that such a judgment or appeal may be retroactively recharacterized as interlocutory in order to invoke the jurisdiction of this Court a second time.

There has been no new development in the two years since this Court denied Petitioners' substantively identical first petition in May 2009. Consistent with the "effective severance" of the termination issue, by virtue of the district court's certification of its judgment regarding the Penguin Termination Notice as final, no termination issue was considered in the present case on remand, or in the appeal to the Second Circuit from which review is now sought.[4] And no other case anywhere has considered this issue. The Petition is in essence a petition for rehearing of this Court's denial of certiorari in 2009 – a petition that not only is long-out-of-time, but despite the passage of

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[4] This Court has regularly rejected requests to consider issues that were not addressed by the court of appeals below. *Pac. Bell Tel. Co. v. linkLine Communs., Inc.*, 129 S. Ct. 1109, 1123 (2009) ("The Court of Appeals majority did not address any of the District Court's holdings from the 2005 order, so we decline to consider those issues at this time."); *Meyer v. Holley*, 537 U.S. 280, 291 (2003) ("in the absence of consideration of [a] matter by the Court of Appeals, we shall not consider it."); *Pennsylvania Dep't of Corrections v. Yeskey*, 524 U.S. 206, 212-213 (1998) ("'Where issues [were not] considered by the Court of Appeals, this Court will not ordinarily consider them'"). Petitioners do not adduce any extraordinary circumstance that would justify a departure from this Court's ordinary practice.

nearly two years, presents no "intervening circumstances of a substantial or controlling effect or ... other substantial grounds not previously presented." Supreme Court Rule 44.

4. There Was and Is No Circuit Conflict

Petitioners do not allege any new development, in the courts or elsewhere. They simply reprise from their previous petition allegations of a "deep and intractable conflict" manufactured out of *dicta* in *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008). *Mewborn* was decided prior to, and considered in, the Second Circuit's 2008 judgment from which Petitioners now appeal for a second time. App. 33a-34a; *see* No. 08-1039, Petition For Writ Of Certiorari, at 20-23; No. 08-1039, Reply Brief For Petitioners, at 3-5; Pet. 1-2 (arguing same alleged "circuit conflict").

Petitioners' illusory "circuit split" turns on the misapplication of the relevant cases in both the Ninth and Second Circuits.

A. *Milne v. Stephen Slesinger, Inc.* Establishes the Ninth Circuit Rule That a Validly Rescinded Pre-1978 Grant Cannot Be Re-Terminated Under 17 U.S.C. § 304

In *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006), the Ninth Circuit, the first circuit to consider the issue, affirmed the validity of a post-1978 agreement that is

materially indistinguishable from the 1994 Agreement here. *Milne* addressed the question:

> Should [a post-1978 express contractual revocation and new grant of rights] be treated as a pre-1978 agreement to be governed by the termination provisions of 17 U.S.C. § 304?

430 F.3d at 1041. The court answered no – and the Second Circuit in *Steinbeck* agreed.

In 1930, A.A. Milne entered into an agreement granting Slesinger certain rights in the "Pooh" works "for and during the respective periods of copyright and of any renewal thereof." In 1983, Milne's son Christopher, as sole copyright owner, entered into an agreement that revoked the 1930 grant and re-granted rights in the "Pooh" works to Slesinger for substantially enhanced consideration. In 2002, Clare Milne, A.A. Milne's granddaughter, served Slesinger with a notice of termination seeking to recapture rights in the works under Section 304(d).

The district court found, and the Ninth Circuit affirmed, that the termination notice was invalid because "the only pre-1978 grant of rights" – the grant in the 1930 Agreement – "was terminated ... upon the execution of the 1983 agreement...." Accordingly, "there was no pre-1978 grant of rights ... in existence when Congress enacted the CTEA in 1998." Clare Milne could not terminate the grant in the 1983 Agreement "because it was not 'executed before January 1, 1978,' as the statute expressly requires." *Ibid.*

Neither the text of Section 304(c)(5) nor the legislative history supported Milne's position that a post-1978 contractual revocation and re-grant of rights was an "agreement to the contrary." Instead, such an agreement was of "the type expressly contemplated and endorsed by Congress," which "explicitly endorsed the continued right of 'parties to a transfer or license' to 'voluntarily agree[ ] at any time to terminate an existing grant and negotiat[e] a new one.'" *Id.* at 1045 (quoting H.R. Rep. No. 94-1476 (1976) ("House Report") 127).

The new agreement did not "eliminate" a termination right; to the contrary, it "resulted in an increased royalty stream to the author's heirs – the very result envisioned by Congress when it enacted the termination provisions." *Id.* at 1047. Congress, the court held, intended for "an author's heirs to use the increased bargaining power conferred by the imminent threat of statutory termination to enter into new, more advantageous grants." *Id.* at 1046.

B. The Ninth Circuit's *Mewborn* Opinion is Consistent With Its Prior *Milne* Opinion – And the Second Circuit's *Steinbeck* Opinion is Consistent With Both

Classic Media, Inc. v. Mewborn, 532 F.3d 978 (9th Cir. 2008), involved rights in the "Lassie" books, written by Eric Knight in the 1930s. Winifred Mewborn was one of Knight's three daughters. In 1976 Mewborn assigned her share of the movie, television, and

radio rights in the Lassie works to plaintiff's predecessor. The grantee did not obtain grants from Mewborn's sisters until March 1978. It then approached Mewborn for her signature on a second agreement, which contained a grant of movie, television, and radio rights identical to that in the 1976 agreement. Critically, the post-1978 agreement in *Mewborn*, unlike those in *Milne* and *Steinbeck*, contained no language rescinding the grant Mewborn executed in 1976. The post-1978 agreement also granted certain ancillary rights that had not been conveyed in the prior agreement.

In 1996, Mewborn served a termination notice under Section 304(c). The Ninth Circuit found that the case was distinguishable from *Milne* because Mewborn, unlike Christopher Milne, did not revoke the pre-1978 agreement, which therefore remained in effect. Accordingly, Mewborn's "1996 termination notice was effective, [and] any rights assigned ... by the 1976 assignment reverted to Mewborn as of the effective termination date." *Id.* at 990.

However, Mewborn's 1978 grant of ancillary rights was unaffected by the termination notice, which could affect "only transfers made before the effective date of the Act, January 1, 1978," *id.* at 989 – consistent with *Milne* and *Steinbeck* – and was not an "agreement to the contrary."

Petitioners omit to mention the actual holdings in *Milne* and *Mewborn*, asserting instead that in *Mewborn*, "the heir's inability to exercise termination

rights at the time played a central role in the Ninth Circuit's analysis." Pet. 17. It did not, as a matter of law. The Ninth Circuit stated that Mewborn was not relinquishing a known termination right when she executed the 1978 document, and did not have any termination right at the time, because Mewborn's right to serve a termination notice under Section 304(c) would not vest until six years later. Thus, when she made the 1978 agreement she "had nothing in hand with which to bargain." 532 F.3d at 989. Those statements are pure *dicta*, however. The *Mewborn* panel was bound to, and did, follow the earlier *Milne* decision to find that Mewborn's never-rescinded 1976 assignment remained in effect, and thus could be terminated under Section 304(c). That holding was sufficient to resolve the case.[5]

Petitioners' attempt to shoehorn this case into the *Mewborn dicta* is in any case unpersuasive. Petitioners assert that Elaine Steinbeck, like Winifred Mewborn, "had nothing in hand with which to

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[5] The irrelevance of "the heir's inability to exercise termination rights at the time" she entered into a post-1978 agreement is unmistakable. As the Ninth Circuit noted, Mewborn's 1978 Assignment was "valid and enforceable with respect to" "the additional enumerated rights that Mewborn had not assigned in 1976," 532 F.3d at 989 - even though Mewborn was no more able to exercise statutory termination rights in 1978 than she had been in 1976.

To the extent, if any, that the *Mewborn dicta* embody the view that authors or heirs can have no leverage based on the "threat" of termination until the statutory termination window is open, it is far from compelling.

bargain" because "[a]t the time Elaine made [the 1994] agreement, the 1976 Act's termination window was open for several of John Steinbeck's best-known works ... , but Elaine could not have unilaterally terminated the 1938 grant of publication rights for those works." Pet. 8.

Petitioners again rely on omission, omitting any mention of the 1983 settlement agreement between the Steinbeck sons and Elaine, and the power of attorney the sons granted to Elaine pursuant to the settlement. As the Second Circuit held, in the 2010 judgment from which Petitioners now are ostensibly appealing:

> The 1983 Agreement increased the Steinbeck sons' shares in certain copyright revenue, from one-quarter to one-third each, and, in return, conferred upon Elaine Steinbeck "the complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights in the works of John Steinbeck in which [John IV] and [Thomas] have or will have renewal or termination rights." 1983 Agreement ¶ 5. This language is unambiguous and forecloses any argument that the parties intended the Steinbeck sons to retain control over Elaine Steinbeck's exercise of the authority conferred upon her.

App. 5a. Notably, Petitioners do not seek review of that holding of the Second Circuit. The 1983 Settlement Agreement and powers of attorney have been aggressively challenged by Petitioners at every stage,

and at every stage their validity and effectiveness have been upheld. Elaine, using the power of attorney, negotiated and entered into the "companion" 1994 publishing agreement for John Steinbeck's later works, on behalf of Thomas Steinbeck as well as herself. Thomas Steinbeck ratified the "companion" agreement, and Petitioners have accepted its enhanced benefits for sixteen years. App. 11a, 18a, 54a.

Petitioners' contention that in the Ninth Circuit the *Steinbeck* "1994 agreement would have been void as an 'agreement to the contrary' because Elaine was unable to threaten termination to 'improve [her] bargaining position,'" Pet. 17, is further refuted by the Second Circuit's findings that "Elaine Steinbeck did renegotiate and cancel the 1938 Agreement while wielding the threat of termination," App. 28a-29a; and that "Elaine Steinbeck had the opportunity in 1994 to renegotiate the terms of the 1938 Agreement to her benefit, for at least some of the works covered by the agreement were eligible, or about to be eligible, for termination," App. 33a; and perhaps most compellingly by the 1994 Agreement itself.

In contrast to the 1938 Agreement, which had provided for two $250 advances and royalties based on net sales, with no annual guarantee, the 1994 Agreement requires Penguin to pay royalties of between ten and fifteen percent of retail (rather than wholesale) sales, and annual guarantees, paid regardless of whether the prior year's guarantee is earned, ranging from $435,500 in the first year to $335,000 for the seventh and subsequent years, adjusted upward

(1) based on increases in the National Consumer Price Index, and (2) for royalty earnings during the prior year that exceeded the minimum guarantee. The notion that Elaine was able to obtain those additional benefits with "nothing in hand with which to bargain" defies reason.

In sum, the factors that distinguish *Mewborn* from *Milne* are absent here. The key distinction is that Mewborn's post-1978 assignment "did not substitute for or revoke the 1976 Assignment," which "remained intact" under applicable contract law. 532 F.3d at 982, 986. *Mewborn* is thus consistent with *Milne* and *Steinbeck*, in each of which all pre-1978 grants *had* been validly revoked, and no such grant "remained intact," when Congress created the termination right under Section 304(d), applicable only to pre-1978 grants.[6]

The "clear rule in the Ninth Circuit," Pet. 15, is the same as that in the Second Circuit: that an author or author's heirs may fulfill the purposes of the termination statute by terminating contractually and making a new grant, on terms that reflect the current value of the works in question.[7]

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[6] To the extent, if any, that there is tension between *Mewborn* and *Milne*, such "internal difficulties" are a matter for the Ninth Circuit, not this Court, to resolve. *See Wisniewski v. United States*, 353 U.S. 901, 902 (1957) (*per curiam*).

[7] In support of their manufactured circuit split, Petitioners read Second Circuit law equally hyperbolically: "the [Second Circuit]'s holding has the effect of reading ["agreement to the

(Continued on following page)

5. Petitioners Seek a Result That Would Effectively Nullify the Statute's Exemption of Grants By Will – and John Steinbeck's Testamentary Intent

In *Mewborn*, the Ninth Circuit achieved a result consistent with the author's presumed testamentary intent, 532 F.3d at 990, as did the Second Circuit in *Steinbeck*, App. 17a. Petitioners, on the other hand, would effectively nullify the will of John Steinbeck, who as author is "the fundamental beneficiary of copyright under the Constitution." *Mewborn*, 532 F.3d. at 984.[8]

Petitioners' speculation that John Steinbeck left his copyrights to Elaine inadvertently, in the mistaken view he had no renewal interest in those copyrights

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contrary"] so narrowly that it would not apply to *any* agreement." Pet. 16. That is wrong, of course. For example, in *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), the Second Circuit held that a *post-facto* agreement that a work was a work made for hire (and thus not subject to statutory termination), would, if the work were not in fact a work made for hire, qualify as an "agreement to the contrary." 310 F.3d at 292; *see* App. 31a.

[8] The Copyright Act exempts grants by will from termination. 17 U.S.C. § 304(c) (permitting termination of certain grants "otherwise than by will"). A finding that an author's testamentary intent may be nullified would render the statute's exemption of transfers by will meaningless. More importantly, such a finding would diminish the "incentive to create original works which copyright protection fosters." *Warner Bros. Entm't Inc. v. RDR Books*, 575 F. Supp. 2d 513, 540 (S.D.N.Y. 2008). *See, e.g.*, Pierre Leval & Lewis Liman, *Are Copyrights for Authors or Their Children?*, 39 J. Copyright Soc'y USA 1, 9, 16 (1991).

because of his earlier transfer of those rights to Penguin's predecessor, is wrong. Petitioners state, contrary to the record, that "[a]s was customary at the time, [John Steinbeck's 1938 publishing] agreement included a pre-assignment of any rights he might obtain by renewing his copyright for a second 28-year term.... he had pre-assigned the renewal term for exclusive publication rights." Pet. 7. In fact, the 1938 Agreement transferred no rights for the renewal copyright term, and makes no mention of copyright renewal. *See* App. 124a-127a (1938 Agreement). And that agreement provides that "All rights not herein specifically granted to the Publisher are reserved to the Author." App. 125a. John Steinbeck renewed those copyrights in his own name. App. 17a.

Equally without foundation, Petitioners speculate that "John Steinbeck, believing that his copyright interests had been fully assigned during his lifetime, failed to devise those interests, so they passed to Elaine under his will's residuary clause." Pet. 7. Petitioners' conjecture that John Steinbeck inadvertently left no share of his copyrights to his sons is as implausible as it is mistaken. Surely John Steinbeck knew he had the right to royalties under his publishing agreements. But he left his sons no royalty participation in his copyrights – and no inadvertence could explain that decision. John Steinbeck's carefully drawn will left his copyrights and all interest in his publishing agreements to his wife Elaine. Any nullification of his clear testamentary intent would harm, not reward, the incentives to creativity copyright law is designed to foster.

6. Petitioners Ignore the Legislative History Relied Upon By the Ninth and Second Circuits

Petitioners cite the legislative history of the 1976 Copyright Act only for the non-controversial proposition that "the primary purpose of the reversionary provision would seem to require that the renewal right be made unassignable in advance." Pet. 20 (quoting Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong. 54 (H. Comm. Print 1961)). Petitioners, however, have emphasized from the outset that they neither waived nor assigned termination rights in advance – the *Fred Fisher* problem – and no one has argued otherwise. Congress's determination that the advance waivers or transfers by authors of renewal (or termination) rights that were permitted under *Fred Fisher* should be disallowed under the termination provisions is irrelevant to the present case.

Petitioners simply ignore the pertinent legislative history, on which Penguin and Respondents relied, and that the Second and Ninth Circuits cited, showing conclusively Congress's intent that authors' and heirs' freedom to terminate transfers contractually would be preserved, not abrogated, under the termination provisions. Both the House and Senate Reports provide that

> nothing in this Section or legislation is intended to change the existing state of the law of contracts concerning the circumstances in

> which an author may cancel or terminate a license, transfer, or assignment.

House Report 128, 142; S. Rep. No. 94-473 108 (1975) ("Senate Report") 111, 125. *See Milne*, 430 F.3d at 1046; *Steinbeck*, App. 32a. Moreover, both houses of Congress stated identically that the termination provision

> would not prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one, thereby causing another 35-year period to start running.

House Report 127; Senate Report 111; *see Milne*, 430 F.3d at 1045; *Steinbeck*, App. 32a.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

RICHARD DANNAY
Counsel of Record
THOMAS KJELLBERG
COWAN, LIEBOWITZ & LATMAN, P.C.
1133 Avenue of the Americas
New York, New York 10036-6799
(212) 790-9200
Counsel for Amicus Curiae
Penguin Group (USA) Inc.

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